

2022/23 – 2031/32

Long Term Financial Plan



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Welcome

Acknowledgment of Country

**We all sit on Awabakal and Worimi land
'Niirun Yalawa Awabakal and Worimi burrei'**

City of Newcastle (CN) acknowledges its Local Government Area (LGA) sits within the Country of the Awabakal and Worimi peoples. We acknowledge that Country for Aboriginal peoples is an interconnected set of ancient relationships. We acknowledge the custodianship of the Awabakal and Worimi peoples and the care and stewardship they have performed in this place since time immemorial.

**Always was, always will be Aboriginal land
'Wunyibu wunyibu warra wunyibu wunyibu
gkuuba Aboriginal burrei'**



Forward

CN's Long Term Financial Plan (LTFP) is a centrepiece document to underpin its long-term financial sustainability. It outlines the financial implications of delivering Newcastle 2040 and our annual and multi-year objectives within Delivering Newcastle 2040, whilst providing a framework for the prioritisation and allocation of the City's financial resources.

The LTFP is the primary guide for allocating funds on an annual basis to implement works across the City and turning our strategic plans and aspirations into reality. More than this, the LTFP is an agreement between residents and CN, showing how financial resources are raised and allocated for the delivery of public services. The LTFP is supported by, and in turn supports, the pillars of modern public governance: integrity, openness, participation, accountability, and a strategic approach to planning and achieving local objectives. Our LTFP is an essential keystone in the architecture of trust between CN, our residents, and our customers.

This plan demonstrates that CN will meet all the Office of Local Government (OLG) financial performance measures. Sustainability remains a key focus for CN and the financial sustainability achieved through strong governance enables us to deliver on significant social and environmental strategies while maintaining the city's existing infrastructure base.

Jeremy Bath
Chief Executive Officer

April 2022

David Clarke
Director Governance and Chief Financial Officer

Introduction

The LTFP is an integral part of CN's strategic planning process and commitment to evidence-based decision-making. It is one component of CN's Resourcing Strategy that underpins CN's Newcastle 2040.

The LTFP outlines the financial implications of delivering the community's aspirations as contained in Newcastle 2040. It assesses the funds and resources required to meet community expectations and deliver upon CN's other strategic documents: four-year Delivery Program, Operational Plan, Workforce Development Strategic Plan (WDSP), Asset Management Strategy (AMS) and Asset Management Plan (AMP).

The LTFP ensures that CN maintains financial sustainability into the future and effectively mitigates financial impacts and challenges as they occur, including from population growth and the changing needs across the City.

The LTFP projects a financial forecast for ten years 2022/23 to 2031/32 and includes the following:

Projected income and expenditure (Income Statement)

Statement of Financial Position

Cash Flow Statement

Planning assumptions

Sensitivity analysis

Financial modelling of different scenarios

Methods of monitoring financial performance

Through strong financial governance and budget management, and underpinned by the LTFP, CN is projecting to deliver an operating surplus in 2022/23.

The LTFP is regularly reviewed and updated to ensure the estimates and assumptions remain appropriate in the context of a changing economy and as the City progresses.

Long term financial plan objectives

CN is committed to achieving our financial goals and objectives. CN utilises the LTFP as a financial decision-making tool to support those goals and objectives. It strengthens our ability to identify financial and strategic opportunities and provides transparency in forecasting CN's future financial sustainability based on the plans, strategies and initiatives endorsed by Council.

As a base, CN mandates and applies the principles of sound financial management as outlined in the Local Government Act 1993 (Section 8B):

(a) Council spending should be responsible and sustainable, aligning general revenue and expenses.

(b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.

(c) Councils should have effective financial and asset management, including sound policies and processes for performance management and reporting, asset maintenance and enhancement, funding decisions and risk management practices.

(d) Councils should have regard to achieving intergenerational equity, including ensuring policy decisions are made after considering their financial effects on future generations and that the current generation funds the cost of its services.

The LTFP has four objectives to ensure CN's financial sustainability.

Maintain a net operating surplus	Each financial year, the budget has a net operating surplus before capital grants and contributions. This should be controlled through strong financial governance and budget management.
Renew and maintain assets within a sustainable range	The funding allocated to the annual asset renewal program will be programmed to be aligned to the equivalent level of depreciation per asset class. Funding will also be applied to asset maintenance programs to the levels required in the asset management plans.
Maintain a strong cash and liquidity position	CN guarantees its financial stability by maintaining a strong cash position and maintaining reserves in-line with internal policies. This assists with generating revenue and ensures it has sufficient assets to cover liabilities.
Financial legacy	Ensure that considered financial decision making, creates and safeguards the financial legacy of the City of Newcastle. This legacy is founded on prudent and responsible fiscal management.

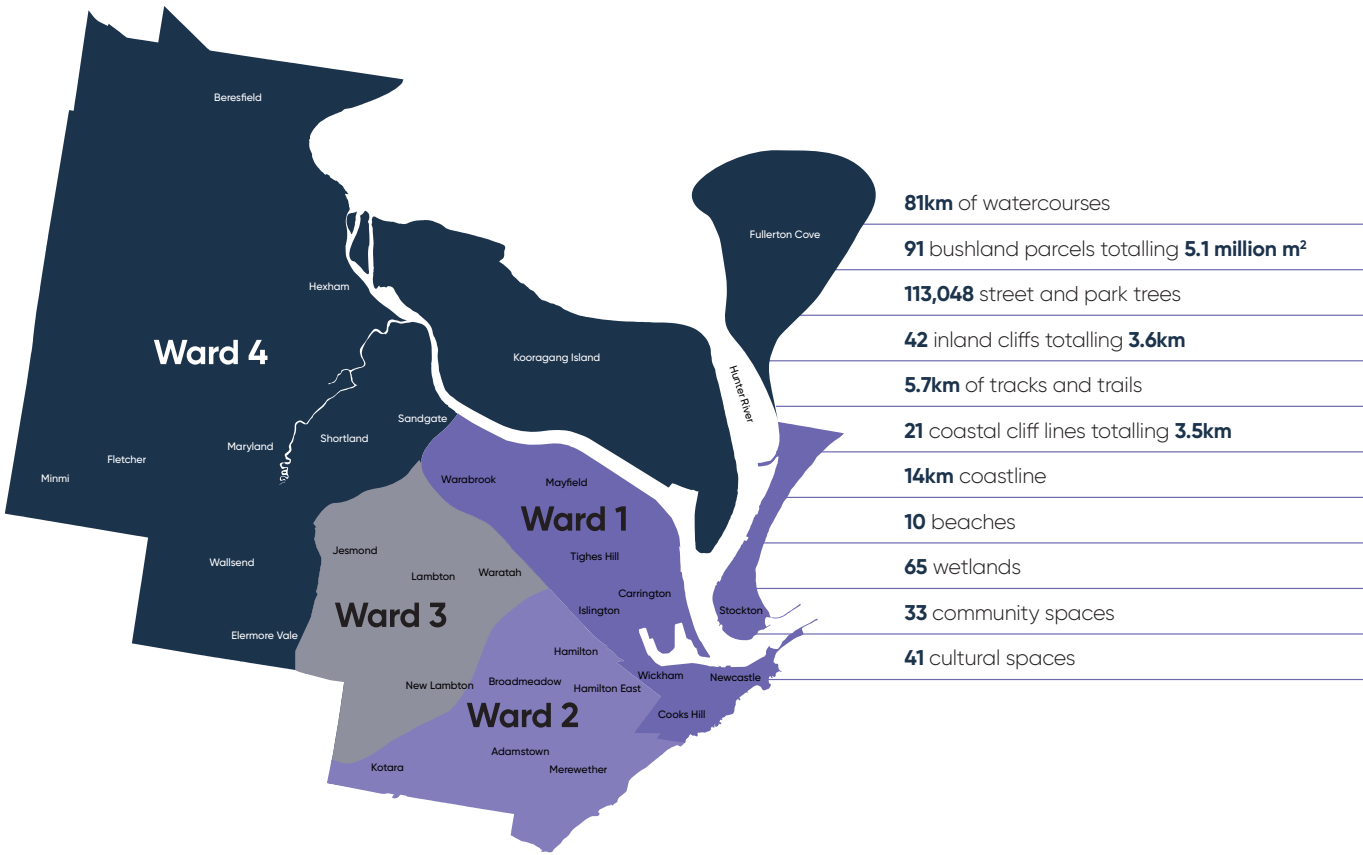
Foundations of the plan

Newcastle context

Our place in the region

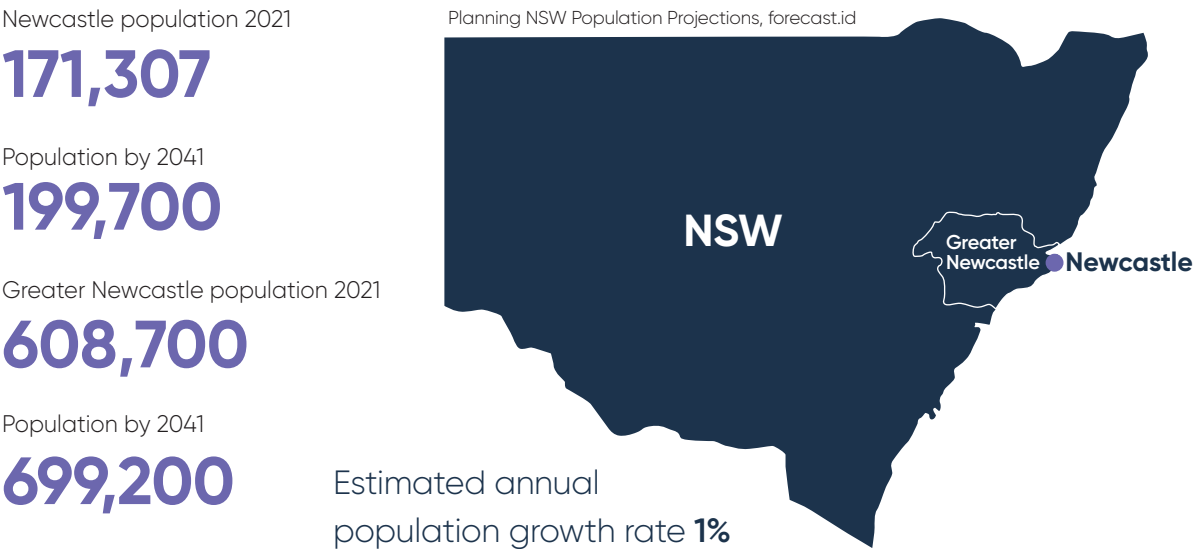
Newcastle is located about 160 km north of Sydney. It is Australia’s seventh-largest city and is the centre of the Greater Newcastle Region, the largest regional centre in NSW. Newcastle is the economic hub of the Hunter Region, with an international profile as a major port city and a gateway to the world for the Hunter’s rich resources. Newcastle accounts for approximately 30% of the Hunter’s developed industrial space and 80% of its office space. Newcastle is home to the University of Newcastle (UoN); the John Hunter Hospital, which is the tertiary referral hospital for Northern NSW; and a number of world-class research organisations, including the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Hunter Medical Research Institute. Newcastle is the cultural heart of the Hunter Region, supporting Newcastle Art Gallery, Newcastle Museum, and the Civic Theatre and Playhouse, and hosting a diverse calendar of cultural events. The Hunter Regional Plan 2036 and the Greater Newcastle Metropolitan Plan 2036 are the key regional development planning documents that support Newcastle. The Greater Newcastle Metropolitan Plan states that:

‘Metropolitan cities succeed and perform best when all tiers of government collaborate and work together with business, industry and community to deliver a shared vision for their city.’



Population Forecasts

Our population



Forecasts show that Newcastle’s population is set to grow to 199,700 by 2041 – an increase of 28,393 residents, stimulating demand for some 19,450 new dwellings. A mix of affordable and sustainable future housing is imperative to meet the diverse needs of our growing community.

The LTFP makes allowance for additional rating revenue from population growth over the next 10 years. This is consistent with the adjustment to the rate peg methodology by the Independent Pricing and Regulatory Tribunal (IPART) which now considers both movements in the cost index and population growth.

Strategic Alignment

CN’s Resourcing Strategy plays a critical role in delivering our strategic objectives. The four-year Delivery Program and Operational Plan are informed and supported by the financial, asset and workforce planning undertaken as part of the Resourcing Strategy. The LTFP integrates the main priorities outlined in the AMS, AMP and WDSP to ensure financial sustainability. It provides the financial framework to ensure that future funding is allocated in a way that supports service delivery and the effective management of CN’s assets and people into the future.

Asset Management Strategy (AMS) and Asset Management Plan (AMP)

The AMS and AMP identify the operational and strategic practices which ensure that CN manages assets across their life cycle in a financially sustainable manner. It provides CN with a sound base to understand the risk associated with managing its assets for the community’s benefit.

Workforce Development Strategic Plan (WDSP)

The WDSP analyses CN’s current workforce and our future workforce needs. It identifies gaps and challenges to develop the future skills and pathways ensuring sustainability of skilled workers.

CN will continue to build capability as a smart, people-centric organisation and will maintain or improve service levels in a way that is sustainable and achievable within funding availability. Community expectations combined with record levels of residential development and infrastructure projects continue to place pressure on our workforce to deliver more with our existing resources.

Other Informing Strategies

Various other plans, strategies and initiatives which have been endorsed by Council have been reflected in the LTFP. Several other key strategies are currently in development, but not yet endorsed, at the time of LTFP preparation. The LTFP assumes that most of the expenditure within the strategies under development will be funded from current operational allocations. Significant strategies under development include CN’s Waste Strategy and Environment Strategy, along with the Social Infrastructure Strategy. Key actions contained within these strategies will be costed and tested against priorities in the LTFP as development progresses. Once endorsed, the LTFP will be updated as part of CN’s ongoing performance monitoring.

Service Levels

CN’s existing services are outlined within the four-year delivery program document ‘Delivering Newcastle 2040’. The present levels of service aim to strike a balance between the community’s desired level of service and CN’s resource capacity and strategic priorities.

CN’s Planned Scenario assumes in most cases, that current service levels will be maintained throughout the period of the LTFP.

LTFP projections for 2022/23 and beyond incorporate an increase in service levels for the Newcastle Art Gallery. An expanded and upgraded gallery of international standing will offer a valuable cultural tourism opportunity for Newcastle and the Hunter. The expansion is expected to create 152 jobs in construction and inject more than \$1 million into annual regional revenue by attracting more than 14,000 additional local visitors and tourists each year.

CN’s annual works program includes a base component of on-going infrastructure and related programs and an additional component of key city initiatives, with funding provided for both in the LTFP. CN prioritises and schedules delivery of nominated projects in line with CN planning documents and strategic objectives and consistent with the LTFP.

Future financial opportunities and challenges

Rate pegging constraints

CN's Rates and Annual Charges revenue is constrained by the annual rate peg determinations of IPART. The rate peg comprises a Local Government Cost Index (LGCI) component, a population growth component, and other adjustments.

CN faces challenges with the LGCI component being based on historical data that isn't reflective of current circumstances. The Australian Bureau of Statistics (ABS) reports that the Consumer Price Index (CPI) rose 3.50% annually to December 2021. Yet IPART set the rate peg for 2022/23 at 0.70% (excluding population growth component), which is the lowest rate in two decades. This has a significant effect on CN's ability to maintain services and infrastructure whilst experiencing a constraint in rates revenue. CN is unable to influence growth in rating income, without application for a special rate variation.

Special variations provide an opportunity for councils to vary general income by an amount greater than the annual rate peg. IPART have recognised that, due to the delayed council elections and the determination of the 2022/23 rate peg at a lower rate than many councils had forecast, councils were not provided sufficient time to submit special variation applications. To correct for this, IPART will accept additional special variation applications (ASV) for 2022/23.

CN will be applying for the 2.50% ASV from IPART which is available for the 2022/23 financial year to meet our service obligations to the city.

IPART has recently announced it will undertake a review of its rate peg methodology which will shape its rate peg determinations into the future and hopefully prevent a repeat of this year's outcome which has required a process change to ensure councils are not financially disadvantaged.

To mitigate future risks and ensure CN can continue to deliver current service levels and infrastructure spending, CN remains committed to identifying opportunities for future income streams, thus reducing the reliance on rating income.

Financial Assistance Grant

CN receives approximately \$12M each year under the Financial Assistance Grant (FAG) program. This is a general purpose grant paid to all local councils by the Commonwealth under the provisions of the Local Government (Financial Assistance) Act 1995. The funds comprise an unconditional grant, and a smaller local roads component.

There is an ongoing risk that the funding methodology applied to the allocation of these grants to local councils could be altered and that CN receives a reduction in grant allocations. If this were the case, CN would need to assess its response to any proposed change. It should be noted that currently FAGs are not indexed and so in real terms the value of these grants has reduced during the past decade.

Other Grants

CN continues to be hindered in its ability to apply for certain State and Federal Government grants. A 2020 report by the Hunter Research Foundation Centre found that Newcastle is ineligible for almost \$6B in annual funding on the basis of the NSW and Federal Government's alternating view of Newcastle as a regional or metropolitan area depending on grant terms and conditions.

The NSW Government currently classifies Newcastle as 'metropolitan' in many funding pools open to the CN, and for many large regional grants. The classification effectively excludes CN from being eligible to submit applications to significant regional funding pools for key infrastructure.

Cash and Investments and low interest rates

CN achieves positive cashflow by prudent financial management. This is achieved in line with investment policy guidelines. Interest rates have been at historic lows posing challenges to Local Government who hold strong cash reserves in an environment where only modest investment returns are available. Opportunities exist for CN to balance its current risk appetite against potential future higher returns from cash and investments by diversifying the portfolio into higher cash generating assets.

Cost shifting

The range of services delivered by councils is growing and changing. Local government is no longer confined to the essential services of road infrastructure and waste. Councils are also now actively engaged in the policy areas of liveable communities, circular economy, smart cities, and pandemic recovery. This expanding service delivery is against a backdrop of finite resources. Improved dialogue is required between Commonwealth and State Governments to address the growth in cost shifting and provide more optimal outcomes for the communities they serve.

Productivity and efficiency focus

Opportunities exist for CN to explore investment in technology, continuing improvement in operational processes, workforce productivity, discretionary cost containment and effective balance sheet management.

COVID-19 pandemic

The COVID-19 pandemic continues to present challenges for the city's economy, including the health and wellbeing of the community and the daily operations of CN. The uncertainty surrounding the protracted impact of COVID-19 on the operations and revenue streams of CN adds complexity to the projections in the LTFP.

Alongside the pandemic challenges, new opportunities for the city have emerged. There is the potential to capitalise on the acceleration of remote working practices and subsequent technology shifts which has seen the movement of people away from capital cities and into the regions; with Newcastle well-placed to attract internal migration.

Industry transition across the region

The mining sector continues to play a significant role in our local economy – particularly coal, which is extracted in the Upper Hunter region and exported through the Port of Newcastle. The significance of coal mining to the local economy highlights Newcastle's exposure to volatility and long-term downturns in the industry. There is opportunity for economic restructuring towards ecological and social sustainability through creation of new green jobs, as well as provision of support for people and communities who might be disadvantaged during the change process.

Assumptions

Forecasting over a ten-year time frame is challenging. The LTFP makes key assumptions and is informed by externally sourced indices. Forecasts and financial projections may vary in the future, particularly in the latter years of the planning horizon. There are also key income and expenditure projections which are outside of CN's control such as State Government waste levies, interest rates and rate pegs.

The proposed capital works program within the LTFP for the 2022/23 budget is \$133M, comprising a base works program of \$83M and key city initiatives of \$50M. This is higher than historical averages but reflects the ability of CN to fund a small number of high value, capital-focused projects in 2022/23.

These projects include a \$40M expansion of the Newcastle Art Gallery; a symbol of excellence and source of pride as a major cultural asset and home to a nationally significant collection that includes more than 7,000 works valued at \$115M. Construction will also commence in 2022/23 of a 50,000 tonne Organics Processing Facility at the Summerhill Waste Management Centre, which will divert 1 million tonnes of food and garden organics from landfill, provide new revenue streams from the sale of compostable materials and negating existing costs from the State Government's waste levy.

The LTFP assumes that a \$100M capital works program, adjusted annually for CPI, will be delivered for the remainder of the ten-year period.

The LTFP uses CPI estimates as a measure of inflation. CPI has been estimated at between 2.20% and 2.30% for the years beyond the 2022/23 budget. Where more accurate forecasts are available, CN has adopted these rates as highlighted below.

Income Statement – Revenue

Rates and annual charges	<p>Rates and annual charges account for a large portion of CN's income, although significantly less than most benchmarked councils. CN relies on the annual rate pegging increases set by IPART. The rate peg is the maximum percentage amount by which NSW councils may increase their general income for the year.</p> <p>IPART has set the rate peg for CN for 2022/23 at 1.20%, which includes 0.50% in recognition of the significant population growth the city is experiencing. CN will be applying for the Additional Special Variation (ASV) to 2.50%, which the State Government has introduced to counter errors in the methodology IPART used to set the 2022/23 financial year rate cap.</p> <p>The rate peg is estimated to match CPI across the remainder of the ten-year planning horizon.</p>
User charges and fees	<p>Statutory fees are those where the fee is set by the State Government. CN planning fees, which have their price increases determined by legislation, have not been indexed by CPI.</p> <p>The rate increase for all other user charges and fees is forecast at CPI plus 1.00% for the duration of the LTFP.</p>
Interest and investment revenue	<p>Interest and investment revenue is directly related to the value of CN's investment portfolio and cashflow movements.</p> <p>Bank Bill Swap Rate (BBSW) estimates of between 0.23% and 2.05% have been utilised in the consideration of interest projections.</p>
Other revenues	<p>Other revenues increase annually by CPI for the duration of the LTFP.</p>
Grants and contributions provided for operating purposes	<p>It has been assumed that CN will continue to receive grants and contributions over the duration of the LTFP consistent with current levels. CPI has been applied annually.</p>
Grants and contributions provided for capital purposes	<p>Grants and contributions provided for capital purposes are estimated to increase annually by CPI.</p> <p>Developer Contributions are collected by CN from new developments. They contribute towards funding the costs of additional infrastructure required from the neighbouring impact of new development. These contributions include cash, land and other assets collected through CN's Developer Contribution Plans and/or Planning Agreements. Funds collected are restricted and are allocated to projects in line with the relevant Development Contribution Plan or Agreements.</p>
Other income	<p>Other income increases annually by CPI for the duration of the LTFP.</p>

Income Statement – Expenditure

Employee benefits and on-costs	Employee costs assumptions rely on an increase of 3.00% through to 2025/26. This includes the progressive 0.50% per annum increases in the legislated Superannuation Guarantee Contribution (SGC) that ceases in 2025/26 when superannuation has reached 12%. Annual increases of 2.50% are estimated for the remainder of the LTFP horizon after 2025/26.
Borrowing costs	Repayment of interest and principal of existing loans are known from current repayment schedules. Lease borrowing costs have been included through lease amortisation schedules.
Materials and services	Costs required to deliver CN's services are estimated to increase annually by CPI. Costs for works program expenses are calculated based on the operational expenditure portion of the expected works program for new and renewed assets.
Depreciation and amortisation	Depreciation expense has been calculated based on expected acquisitions and the expected useful lives of existing assets. Lease amortisation has been calculated through the wind down of the calculated right of use asset from the lease schedules.
Other expenses	Other expenses to increase annually by CPI. The Waste Environment Protection Authority (EPA) Levy is estimated to increase annually by CPI.

Statement of Financial Position – Assets

Cash and cash equivalents	Estimated to be maintained at levels which reflect 1/12 th of annual operating expenditure.
Investments	Balance directly correlates with changes in the Statement of Cash Flows.
Receivables	Annual increases align with CPI for the duration of the LTFP.
Infrastructure, property, plant and equipment	Additions – from expected works program Disposals – from expected renewals program Depreciation – based on expected acquisitions and the expected useful lives on existing assets
Right of use assets	Based on the initial present value of the future cashflows of leased assets plus any direct costs incurred less any lease incentives received.
Investment property	Investment property is estimated to increase at 5.00% per annum.
Other	Includes inventories which are expected to follow the same trends as materials, contracts and other costs for services. Maintained at current levels
Non-current assets classified as held for sale	Maintained at current levels

Statement of Financial Position – Liabilities and Equity

Payables	Annual increases in payables aligns with CPI for the duration of the LTFP
Contract liabilities	Annual increases align with CPI for the duration of the LTFP
Lease liabilities	Represents the obligation to make lease payments and is measured at the present value of future lease payments.
Borrowings	Balance from loan borrowing repayment schedules.
Employee benefit provisions	Employee provisions to increase at the same rate as employee benefits and on-costs.
Provisions	Asset remediation/restoration changes based on the Astra St and Summerhill Waste Management Centre models.
Equity	Retained earnings from Income Statement Revaluation reserves maintained at current levels.

Statement of Cash Flows – Operating Activities

Receipts	From Income Statement and movements in Statement of Financial Position
Payments	From Income Statement and movements in Statement of Financial Position

Statement of Cash Flows – Investing Activities

Receipts	From estimated inflows from turnover of investment securities
Payments	From turnover and purchase of investment assets and capital additions derived from works program

Statement of Cash Flows – Financing Activities

Receipts	Amount expected to inflow from new borrowings
Payments	Expected outflows based on repayment schedules of borrowings and lease liabilities

Sensitivity Analysis and Risk Management

Variations to assumptions applied in the LTFP may occur during the life of the plan and these variations could have a significant impact on the results of the financial modelling. The LTFP relies on a series of assumptions. The data underpinning these assumptions reflect the best available data at the time the LTFP was developed.

Impact on operating result

The table below indicates the impact on the forecast net operating result for 2022/23 of a one percent and ten percent movement in the key assumptions underpinning the Planned Case scenario. These impacts will have a cumulative effect on the model over the horizon of the plan.

Newcastle City Council

10 Year Financial Plan for the Years ending June 2032

Sensitivity Analysis

Assumption	Favourable/(Unfavourable) impact to Operating Result				
	2022/23	↑ 1%	↓ -1%	↑ 10%	↓ -10%
		\$'000	\$'000	\$'000	\$'000
Rate peg	2.50%	2,083	(2,083)	20,831	N/A
CPI	2.40%	(781)	866	(7,808)	N/A
BBSW	0.23%	3,210	N/A	31,761	N/A
Wages & SGC	2.50%	(1,253)	1,253	(12,527)	N/A
OPEX	29.17%	(1,140)	1,140	(11,401)	11,401

	Favourable/(Unfavourable) impact to income or expenses				
	2022/23	↑ 1%	↓ -1%	↑ 10%	↓ -10%
	'000				
Rates and annual charges	208,307	2,083	(2,083)	20,831	(20,831)
User Fees & Charges	102,132	1,021	(1,021)	10,213	(10,213)
Grants & Contributions	33,374	334	(334)	3,337	(3,337)
Employee benefits and on-costs	125,271	1,253	(1,253)	12,527	(12,527)
Materials and services	104,359	1,044	(1,044)	10,436	(10,436)
Waste Levy	37,332	373	(373)	3,733	(3,733)

Operating Income – 2022/23 Budget



Operating Expenses – 2022/23 Budget



Risk Management

During the development of the LTFP consideration is given to key risks likely to impact financial performance. These can be divided into three key groups:

External Risks	Internal Risks
Continuing financial and economic impacts of the COVID-19 pandemic	Changes to fees and charges and other revenue sources
Interest rate fluctuations	Organisational service reviews and restructures
Inflation and movements in CPI	Infrastructure asset management strategies and practices
Changes to levies and their conditions (i.e. EPA Levy)	Workforce management, staffing levels and salary reviews
Changes in rate peg methodology and determinations	
Natural disasters	
Changes in State and Government positions	Community
	Community needs and expectations
	Other key strategies

The following are identified as the areas at the highest risk of impacting the future financial performance in the LTFP:

Significant revenue – Rates and annual charges	<p>Over the past 10 years the rate peg has varied between 1.20% and 3.60%. It does not always follow CPI. If the rate peg issued by IPART does not keep pace with CPI then CN’s financial position will deteriorate if service levels remain the same.</p> <p>The LTFP assumes that CN’s application for the Additional Special Variation (ASV) for 2022/23 at 2.50% is successful. As identified in the sensitivity analysis a 1.00% decrease in the rate peg has a significant impact on the net operating result of CN.</p>
Significant revenue – Summerhill Waste Management Centre (SWMC)	<p>CN’s largest revenue centre is SWMC, providing 50% of CN’s user fees and charges revenue. Strategic and prudent decision-making regarding capital investment and contract management will be vital to maintaining its profitability.</p>
Significant revenue – interest and investment revenue	<p>The calculation of interest and investment revenue is derived from CN’s investment portfolio and the return on investment that can be obtained.</p> <p>CN is limited to the investment options within its Investment and Borrowings Policy which is directed by Local Government legislation. Interest rates, as determined by Reserve Bank policy and financial market conditions, will directly impact the returns earned by CN’s investment portfolio and decreases in interest rates are likely to have a material impact on the operating surplus.</p>

Significant expenditure – employee costs	<p>The amount that CN increases the employee rate of pay by each year is controlled by the Local Government (State) Award 2020 (LGSA). CN must also factor in the impact of legislated Superannuation Guarantee Contribution (SGC) increases which are currently being phased upwards to 12%.</p> <p>Any pay increases exceeding 2.50%, or SGC increases beyond the known 0.50% progressive annual increases through to 2025/26, would materially impact the operating surplus.</p>
Consumer Price Index (CPI)	<p>CPI estimates have been utilised as the measure of inflation. CPI has been applied to income and expenditure projections where growth in the line items correlates closely with this index. Significant variation in the actual CPI as compared to estimates will impact the results of the forecast in the plan.</p>
Building Cost Index	<p>The Building Cost Index has historically grown at a faster pace than CPI and this divergence has been accelerated in 2021/22 through government stimulus in reaction to COVID-19 restrictions and severe weather events in recent years. Significant variance between this index and CPI in future years will erode CN’s buying power and limit the level of works that can be delivered.</p>
Operational expenditure (OPEX) within the works program	<p>Beyond 2022/23, the LTFP assumes 33% of CN’s annual works program is operational expenditure (OPEX) for the years of the Delivery Program. The OPEX percentage increases to 37% for the remainder of the plan. The level of operational expenditure per project can range from 0% to 100% and the average level varies between programs depending upon project scheduling.</p> <p>Estimates provided for works programs in 2022/23 and 2023/24 have more accuracy than those for later years with some costing based on refined scope of works, market quotations and engineering estimates. However, programs are also continuously subject to change, depending on new priorities, emerging works, emergency works, priorities of the elected council and availability of new funding sources like grants.</p> <p>These changes can materially impact the OPEX percentage and consequently the financial performance reflected in the LTFP.</p>
Works Program – Project Prioritisation	<p>The LTFP is predicated on a works program prioritised to CN objectives and the AMS and AMP. Projects altering the project schedule can result in diminishing asset conditions, higher depreciation expense and increased loss on disposal of assets.</p>

Scenario Modelling

In developing the LTFP CN has considered a range of options and settled on the following three scenarios:

Scenario	Description	Total Capital Works Program Spend
Scenario 1 - Planned Case	Current service levels would be maintained.	2022/23 budget \$133M
	As per assumptions outlined in this document	
	The proposed capital works budget within the LTFP for the 2022/23 budget is \$133M.	2023/24 - ongoing \$100M (adjusted annually for CPI)
	\$100M capital works program (adjusted annually for CPI) will be delivered for the remainder of the ten-year period.	
	This scenario includes the optimum expenditure on CN's infrastructure assets consistent with the projections in CN's AMS and AMP.	
Scenario 2 - Decreased works program	Current service levels would decrease.	2022/23 budget \$133M
	Based on 2022/23 budget with planning assumptions outlined in this document applied to outer years' revenue and expenditure	
	Reduced capital works program at \$85M (adjusted annually for CPI) will be delivered for the remainder of the ten-year period.	2023/24 - ongoing \$85M (adjusted annually for CPI)
	Net cashflows would remain positive for the duration of the LTFP. The cash and cash equivalents balance would remain strong, increasing year on year to a maximum of \$861M at the end of 2031/32.	
	The net impact of this scenario in 2031/32 is a surplus of \$36M, compared to the surplus in the Planned Case of \$22M.	
Scenario 3 - Optimistic works program	Current service levels would be maintained.	2022/23 budget \$133M
	Based on 2022/23 budget with planning assumptions outlined in this document applied to outer years' revenue and expenditure.	
	Enhanced capital works program at \$115M with additional funds to be prioritised based on expectations contained in Newcastle 2040, AMS and AMP.	2023/24 - ongoing \$115M (adjusted annually for CPI)
	Operating losses are predicted across several years of the LTFP without a corresponding reduction in service-related expenditure.	
	Net cashflows would be increasing at a lower rate to account for the increased spend on renewal work required to maintain our infrastructure assets at the agreed level of service. Despite this, the cash and cash equivalents balance continues to increase to \$527M at the end of 2031/32.	

Scenario 1 – Planned Case

2022/23: \$133M Works Program
2023/24 and ongoing: \$100M Works Program adjusted annually for CPI

Income Statement

Income Statement	Current	Projection										
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from Continuing Operations												
Rates and annual charges	198,945	208,307	212,890	217,786	223,230	228,365	233,617	238,991	244,965	250,599	256,363	
User charges and fees	94,322	102,132	112,337	118,519	122,424	126,468	130,647	134,963	139,422	144,028	148,786	
Interest and investment revenue	5,843	5,391	6,736	8,605	10,203	11,854	13,409	14,896	16,450	17,726	19,165	
Other revenues	11,432	10,356	10,597	10,995	11,265	11,524	11,789	12,060	12,337	12,621	12,912	
Grants and contributions provided for operating purposes	16,317	16,687	18,054	18,534	18,961	19,397	19,843	20,299	20,766	21,244	21,732	
Grants and contributions provided for capital purposes	13,745	33,762	34,504	35,298	36,110	36,941	37,790	38,659	39,548	40,458	41,388	
Other income	4,072	4,007	4,800	5,760	5,892	6,028	6,167	6,308	6,454	6,602	6,754	
Total Income from Continuing Operations	344,676	380,642	399,918	415,497	428,085	440,577	453,262	466,176	479,942	493,278	507,100	
Expenses from Continuing Operations												
Employee benefits and on-costs	117,162	125,271	129,037	132,970	136,934	140,810	144,322	147,921	151,610	155,392	159,267	
Borrowing costs	3,556	3,773	3,913	3,591	3,261	2,930	2,584	2,256	1,916	1,601	1,330	
Materials and services	102,646	104,359	107,927	112,819	114,001	120,840	123,283	127,480	128,984	131,953	134,990	
Depreciation and amortisation	58,428	63,407	67,454	69,313	71,206	73,293	74,668	76,261	78,350	80,062	82,201	
Other expenses	43,601	44,650	49,941	51,109	50,285	51,441	52,624	53,834	55,073	56,339	57,635	
Net losses from the disposal of assets	4,328	4,149	6,940	7,100	7,263	7,430	7,601	7,776	8,637	8,138	8,325	
Total Expenses from Continuing Operations	329,721	345,609	365,212	376,902	382,950	396,744	405,082	415,528	424,570	433,485	443,748	
Operating result from continuing operations	14,955	35,033	34,706	38,595	45,135	43,833	48,180	50,648	55,372	59,793	63,352	
Net operating result for the year before grants and contributions provided for capital purposes	1,210	1,271	202	3,297	9,025	6,892	10,390	11,989	15,824	19,335	21,964	

Statement of Financial Position

Statement of Financial Position	Current	Projection									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
ASSETS	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Current assets											
Cash and cash equivalents	27,477	28,801	30,434	31,408	31,912	33,062	33,757	34,627	35,381	36,124	36,979
Investments	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300
Receivables	29,496	30,203	30,868	31,578	32,304	33,047	33,807	34,585	35,380	36,194	37,027
Inventories	1,152	1,196	1,222	1,250	1,279	1,309	1,339	1,369	1,401	1,433	1,466
Other	8,655	8,989	9,187	9,398	9,615	9,835	10,061	10,293	10,529	10,772	11,019
Total current assets	189,080	191,489	194,011	195,934	197,410	199,553	201,264	203,174	204,991	206,823	208,791
Non-current assets											
Investments	223,074	219,033	234,797	255,328	288,878	320,376	356,634	395,385	436,838	483,687	534,735
Receivables	1,657	1,697	1,734	1,774	1,815	1,856	1,900	1,943	1,988	2,033	2,080
Infrastructure, property, plant and equipment	1,588,433	1,620,184	1,625,363	1,630,070	1,634,301	1,638,053	1,641,715	1,645,468	1,650,995	1,656,827	1,662,239
Right of use asset	32,822	32,936	47,640	43,049	38,609	34,184	30,138	26,169	22,200	18,231	14,262
Investments accounted for using the equity method	731	759	776	794	812	831	850	869	889	910	931
Investment property	13,990	14,690	15,424	16,195	17,005	17,855	18,748	19,685	20,670	21,703	22,788
Intangible assets	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935
Other	88	90	92	94	96	98	100	103	105	108	110
Total non-current assets	1,865,730	1,894,324	1,930,761	1,952,239	1,986,451	2,018,188	2,055,020	2,094,557	2,138,620	2,188,434	2,242,080
TOTAL ASSETS	2,054,810	2,085,813	2,124,772	2,148,173	2,183,861	2,217,741	2,256,284	2,297,731	2,343,611	2,395,257	2,450,871
LIABILITIES											
Current liabilities											
Payables	41,571	43,080	44,045	45,074	46,132	47,198	48,289	49,404	50,552	51,720	52,915
Contract liabilities	10,367	10,616	10,849	11,099	11,354	11,615	11,883	12,156	12,435	12,721	13,014
Lease liabilities	3,017	3,114	4,103	4,047	4,138	3,828	3,844	3,946	4,052	4,163	2,704
Borrowings	6,905	5,727	5,910	6,000	6,198	6,193	5,740	5,938	4,482	3,964	1,482
Employee benefit provisions	36,873	37,795	38,929	40,096	41,299	42,332	43,390	44,475	45,587	46,726	47,895
Provisions	19,909	7,383	7,384	1,565	1,568	1,571	1,574	1,577	1,581	1,584	1,587
Total current liabilities	118,642	107,715	111,220	107,881	110,689	112,737	114,720	117,496	118,689	120,878	119,597
Non-current liabilities											
Payables	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921
Contract liabilities	766	784	802	821	839	859	878	899	919	940	962
Lease liabilities	32,851	32,490	46,788	42,741	38,604	34,775	30,931	26,985	22,933	18,770	16,066
Borrowings	58,476	75,349	69,438	63,438	57,240	51,048	45,308	39,370	34,888	30,924	29,442
Employee benefit provisions	999	1,024	1,054	1,086	1,119	1,147	1,175	1,205	1,235	1,266	1,297
Provisions	66,824	57,166	49,480	47,621	45,650	43,622	41,540	39,397	37,196	34,935	32,611
Total non-current liabilities	162,837	169,734	170,483	158,628	146,373	134,372	122,753	110,777	100,092	89,756	83,299
TOTAL LIABILITIES	281,479	277,449	281,703	266,509	257,062	247,109	237,473	228,273	218,781	210,634	202,896
Net assets	1,773,331	1,808,364	1,843,069	1,881,664	1,926,799	1,970,632	2,018,811	2,069,458	2,124,830	2,184,623	2,247,975
EQUITY											
Accumulated surplus	1,502,538	1,537,571	1,572,276	1,610,871	1,656,006	1,699,839	1,748,018	1,798,665	1,854,037	1,913,830	1,977,182
Revaluation reserves	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793
Total equity	1,773,331	1,808,364	1,843,069	1,881,664	1,926,799	1,970,632	2,018,811	2,069,458	2,124,830	2,184,623	2,247,975

Statement of Cashflows

Statement of Cashflows	Current	Projection									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Cashflows from operating activities	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Receipts:											
Rates and annual charges	198,782	208,184	212,772	217,661	223,108	228,234	233,484	238,854	244,831	250,456	256,217
User charges and fees	91,237	101,738	111,966	118,123	122,019	126,055	130,223	134,530	138,979	143,575	148,322
Investment and interest revenue received	6,282	5,370	6,716	8,584	10,180	11,831	13,386	14,872	16,426	17,701	19,140
Grants and contributions	30,054	50,451	52,560	53,834	55,073	56,339	57,635	58,961	60,317	61,704	63,123
Other	14,345	14,188	15,243	16,590	16,989	17,379	17,779	18,188	18,606	19,034	19,472
Payments:											
Employee benefits and on-costs	(116,260)	(124,271)	(127,807)	(131,703)	(135,628)	(139,690)	(143,174)	(146,744)	(150,404)	(154,155)	(157,999)
Materials and contracts	(108,383)	(125,075)	(114,649)	(119,465)	(114,915)	(121,786)	(124,261)	(128,490)	(130,028)	(133,031)	(136,103)
Borrowing costs	(3,556)	(3,773)	(3,913)	(3,591)	(3,261)	(2,929)	(2,584)	(2,256)	(1,916)	(1,601)	(1,330)
Other	(43,774)	(44,875)	(50,072)	(51,250)	(50,430)	(51,588)	(52,774)	(53,990)	(55,231)	(56,501)	(57,801)
Net cash provided (or used in) operating activities	68,727	81,972	102,849	108,818	123,171	123,882	129,752	133,964	141,620	147,223	153,083
Cashflows from investing activities											
Receipts:											
Sale of investment securities	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835
Non-current assets classified as 'held for sale'	9,500	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investment securities	(135,861)	(123,793)	(143,599)	(148,365)	(161,385)	(159,333)	(164,092)	(166,585)	(169,288)	(174,683)	(178,883)
Purchase of investment property	-	(700)	(734)	(771)	(810)	(850)	(893)	(937)	(984)	(1,033)	(1,085)
Purchase of infrastructure, property, plant and equipment	(71,812)	(94,741)	(74,940)	(76,530)	(78,260)	(80,049)	(81,886)	(83,822)	(88,546)	(90,065)	(91,969)
Net cash provided (or used in) investing activities	(70,338)	(91,399)	(91,438)	(97,831)	(112,620)	(112,397)	(119,036)	(123,509)	(130,983)	(137,946)	(144,102)
Cashflows from financing activities											
Receipts:											
Proceeds from borrowings and advances	8,750	22,600	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of borrowings and advances	(4,742)	(6,905)	(5,728)	(5,910)	(6,000)	(6,197)	(6,193)	(5,740)	(5,938)	(4,482)	(3,963)
Repayment of lease liabilities	(3,874)	(4,944)	(4,050)	(4,103)	(4,047)	(4,138)	(3,828)	(3,844)	(3,946)	(4,052)	(4,163)
Net cashflow provided (used in) financing activities	134	10,751	(9,778)	(10,013)	(10,047)	(10,335)	(10,021)	(9,584)	(9,884)	(8,534)	(8,126)
Net increase/(decrease) in cash and cash equivalents											
	(1,477)	1,324	1,633	974	504	1,150	695	871	753	743	855
Plus: cash and cash equivalents – beginning of year	28,954	27,477	28,801	30,434	31,408	31,912	33,062	33,757	34,627	35,381	36,124
Cash and cash equivalents – end of the year	27,477	28,801	30,434	31,408	31,912	33,062	33,757	34,628	35,380	36,124	36,979
plus: Investments on hand – end of year	345,374	341,332	357,097	377,627	411,178	442,676	478,934	517,684	559,138	605,987	657,035
Total cash, cash equivalents and investments	372,851	370,133	387,531	409,035	443,090	475,738	512,691	552,312	594,518	642,111	694,014

Scenario 2 – Decreased Works Program

Refer to Appendix A

Scenario 3 – Optimistic Works Program

Refer to Appendix B



Performance Monitoring & Review

CN has a strong focus on achieving its strategic goals and financial objectives. The LTFP facilitates effective financial decision making. It assists CN to identify opportunities, anticipate future financial issues early and determine how CN can best achieve outcomes agreed with the community. The LTFP provides transparency and accountability to the community by forecasting the financial impacts of CN's plans, strategies and initiatives over a 10-year period, which can in turn be used to support the operational and capital decisions CN makes as part of the annual budget process.

CN reviews the LTFP annually as part of the development of the Operational Plan. CN monitors performance against the key financial indicators, and also the projections made in the LTFP against actual outcomes to refine assumptions and adjust the plan.

CN utilises key performance ratio benchmarks set by the OLG to monitor and review financial performance and financial sustainability. These include:

Operating performance ratio
Own source operating revenue ratio
Unrestricted current ratio
Debt service cover ratio
Rates and annual charges outstanding percentage
Cash expense cover ratio

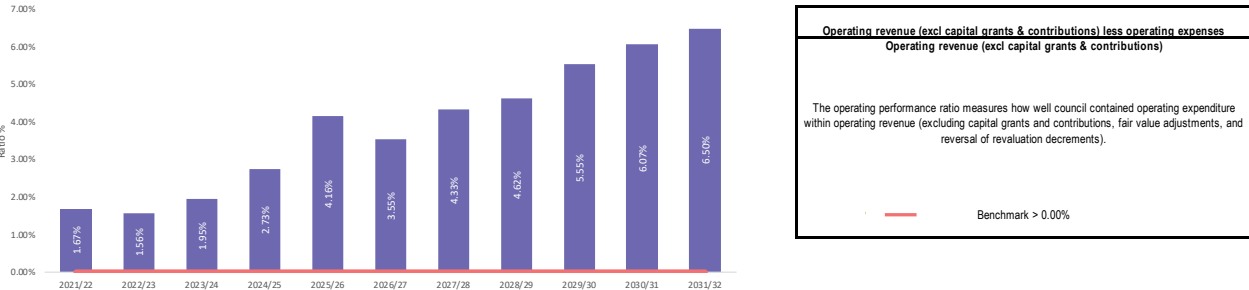
The performance indicators for Scenario 1 (Planned Case) are included below. Performance indicators for Scenario 2 and Scenario 3 are included in Attachment A and B respectively.

Scenario 1 – Planned Case

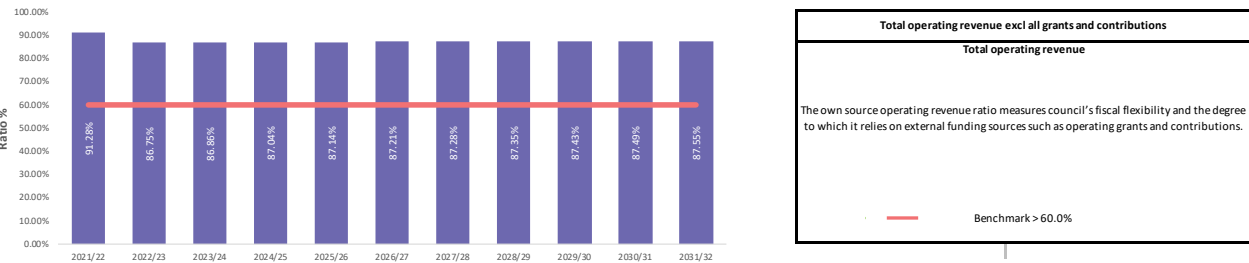
2022/23: \$133M Works Program

2023/24 and ongoing: \$100M Works Program adjusted annually for CPI

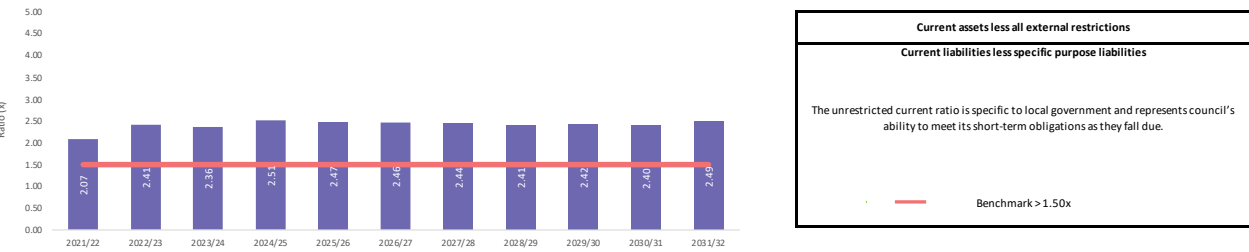
Operating performance ratio



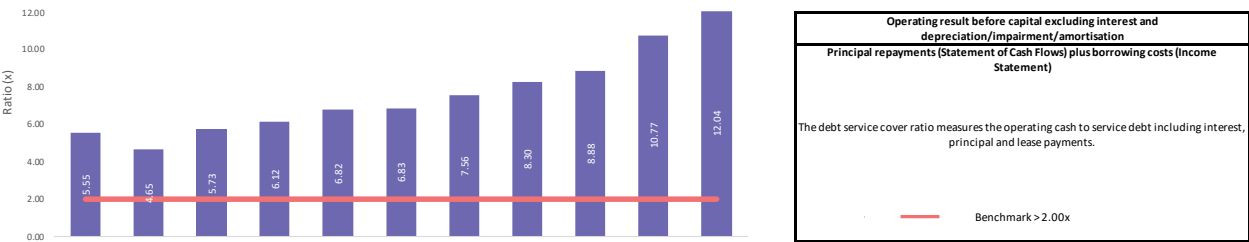
Own source operating revenue ratio



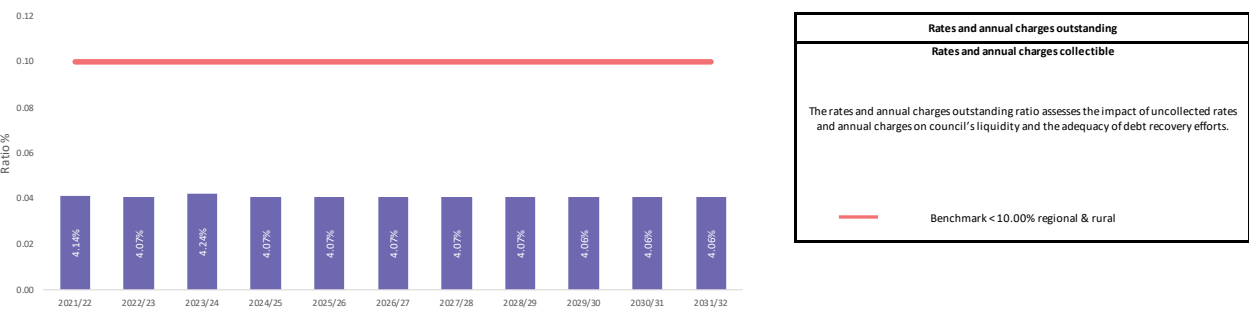
Unrestricted current ratio



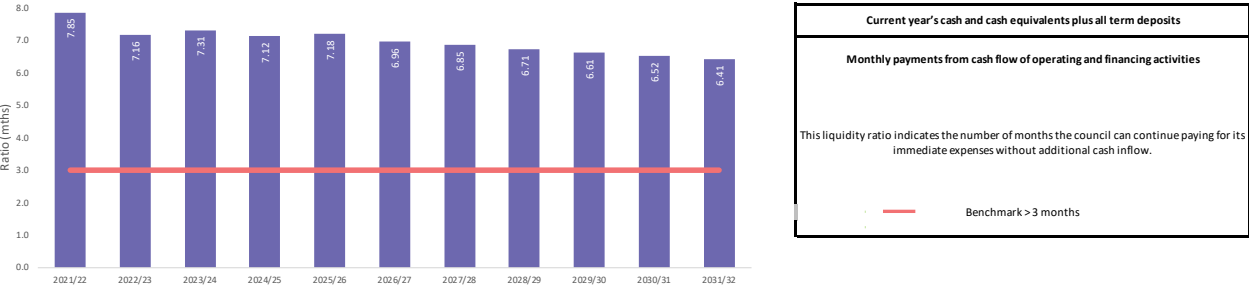
Debt service cover ratio



Rates, annual charges outstanding ratio



Cash expense cover ratio



Conclusion

The Planned Case scenario provides a forecast which is driven by key metrics, assumptions, and inputs as well as core information contained within the four-year Delivery Program, WDSP, AMS and AMP.

The LTFP provides an indication of CN's future financial position from 2022/23 to 2031/32 if it follows the actions outlined in the Newcastle 2040. The Planned Case Scenario has been developed using the 2022/23 proposed budget with continuation of 'business as usual', albeit with a significantly increased capital works program compared to the historical norm.

The financial modelling undertaken for the LTFP indicates CN is in a good financial position. The LTFP projects net operating surpluses for the duration of the forecast. The operating performance ratio which provides an indicator of CN's ability to cover operating expenditure within operating revenue, is above the benchmark and continues to be positive throughout the period of the LTFP.

CN maintains sufficient unrestricted cash to ensure ongoing liquidity. The strong financial position is supported by forecasted increases in cash and cash equivalents over the ten-year planning horizon. The plan reflects that financial sustainability targets will be met across the period without materially altering services levels.



Attachment A:

Financial Statements – Scenario 2 - Decreased Works Program
2022/23: \$133M Works Program
2023/24 and ongoing: \$85M Works Program adjusted annually for CPI

Income Statement

	Projection										
Income Statement	Current	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from Continuing Operations											
Rates and annual charges	198,945	208,307	212,890	217,786	223,231	228,365	233,617	238,991	244,965	250,599	256,363
User charges and fees	94,322	102,132	112,337	118,518	122,423	126,469	130,646	134,964	139,423	144,028	148,787
Interest and investment revenue	5,843	5,391	6,736	8,951	10,984	13,133	15,265	17,358	19,567	21,472	23,572
Other revenues	11,432	10,356	10,597	10,995	11,265	11,524	11,789	12,060	12,337	12,621	12,911
Grants and contributions provided for operating purposes	16,317	16,687	18,054	18,534	18,961	19,397	19,843	20,299	20,766	21,244	21,732
Grants and contributions provided for capital purposes	13,745	33,762	34,504	35,298	36,110	36,940	37,790	38,659	39,548	40,458	41,388
Other income	4,072	4,007	4,800	5,760	5,892	6,028	6,167	6,308	6,453	6,602	6,754
Total Income from Continuing Operations	344,676	380,642	399,918	415,842	428,866	441,856	455,117	468,639	483,059	497,024	511,507
Expenses from Continuing Operations											
Employee benefits and on-costs	117,162	125,271	128,505	132,425	136,376	140,171	143,668	147,252	150,926	154,692	158,551
Borrowing costs	3,556	3,773	3,913	3,591	3,261	2,929	2,584	2,256	1,916	1,601	1,330
Materials and services	102,646	104,359	103,400	108,188	109,264	115,407	117,725	121,794	123,167	126,002	128,903
Depreciation and amortisation	58,428	63,407	67,344	68,983	70,650	72,506	73,373	74,954	76,807	78,277	80,169
Other expenses	43,601	44,650	49,942	51,109	50,284	51,441	52,623	53,836	55,073	56,340	57,634
Net losses from the disposal of assets	4,328	4,149	5,899	6,035	6,174	6,316	6,461	6,609	7,444	6,917	7,076
Total Expenses from Continuing Operations	329,721	345,609	359,003	370,331	376,009	388,770	396,434	406,701	415,333	423,829	433,663
Operating result from continuing operations	14,955	35,033	40,915	45,511	52,857	53,086	58,683	61,938	67,726	73,195	77,844
Net operating result for the year before grants and contributions provided for capital purposes	1,210	1,271	6,411	10,213	16,747	16,146	20,893	23,279	28,178	32,737	36,456

Statement of Financial Position

Statement of Financial Position	Current	Projection									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
ASSETS	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Current assets											
Cash and cash equivalents	27,477	28,801	29,917	30,861	31,334	32,397	33,036	33,892	34,611	35,319	36,139
Investments	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300
Receivables	29,496	30,203	30,868	31,578	32,304	33,047	33,807	34,585	35,380	36,194	37,027
Inventories	1,152	1,196	1,222	1,250	1,279	1,309	1,339	1,369	1,401	1,433	1,466
Other	8,655	8,989	9,186	9,398	9,614	9,835	10,062	10,293	10,530	10,772	11,019
Total current assets	189,080	191,489	193,493	195,387	196,831	198,888	200,544	202,439	204,222	206,018	207,951
Non-current assets											
Investments	223,074	219,033	250,032	285,993	335,757	385,033	439,992	498,396	560,572	629,177	703,056
Receivables	1,657	1,697	1,734	1,774	1,815	1,856	1,899	1,943	1,988	2,033	2,080
Infrastructure, property, plant and equipment	1,588,433	1,620,183	1,616,855	1,613,077	1,608,847	1,604,160	1,599,680	1,595,086	1,592,278	1,589,791	1,586,899
Right of use asset	32,822	32,936	47,640	43,049	38,609	34,184	30,138	26,169	22,200	18,231	14,262
Investments accounted for using the equity method	731	759	776	794	812	831	850	869	889	910	931
Investment property	13,990	14,690	15,424	16,195	17,005	17,855	18,748	19,685	20,670	21,703	22,788
Intangible assets	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935
Other	88	90	92	94	96	98	100	103	105	108	110
Total non-current assets	1,865,730	1,894,323	1,937,488	1,965,911	2,007,876	2,048,952	2,096,342	2,147,186	2,203,637	2,266,888	2,335,061
TOTAL ASSETS	2,054,810	2,085,812	2,130,981	2,161,298	2,204,707	2,247,840	2,296,886	2,349,625	2,407,859	2,472,906	2,543,012
LIABILITIES											
Current liabilities											
Payables	41,571	43,080	44,045	45,074	46,132	47,198	48,289	49,404	50,552	51,720	52,915
Contract liabilities	10,367	10,616	10,849	11,099	11,354	11,615	11,883	12,156	12,435	12,721	13,014
Lease liabilities	3,017	3,114	4,103	4,047	4,138	3,828	3,844	3,946	4,052	4,163	2,704
Borrowings	6,905	5,727	5,910	6,000	6,198	6,193	5,740	5,938	4,482	3,964	1,482
Employee benefit provisions	36,873	37,795	38,929	40,096	41,299	42,332	43,390	44,475	45,587	46,726	47,895
Provisions	19,909	7,383	7,384	1,565	1,568	1,571	1,574	1,577	1,581	1,584	1,586
Total current liabilities	118,642	107,715	111,220	107,881	110,689	112,737	114,720	117,496	118,689	120,878	119,596
Non-current liabilities											
Payables	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921
Contract liabilities	766	784	802	821	839	859	878	899	919	940	962
Lease liabilities	32,851	32,490	46,788	42,741	38,604	34,775	30,931	26,985	22,933	18,770	16,066
Borrowings	58,476	75,349	69,438	63,438	57,240	51,048	45,308	39,370	34,888	30,924	29,442
Employee benefit provisions	999	1,024	1,054	1,086	1,119	1,147	1,175	1,205	1,235	1,266	1,297
Provisions	66,824	57,165	49,480	47,621	45,650	43,623	41,540	39,398	37,197	34,935	32,612
Total non-current liabilities	162,837	169,733	170,483	158,628	146,373	134,373	122,753	110,778	100,093	89,756	83,300
TOTAL LIABILITIES	281,479	277,448	281,703	266,509	257,062	247,110	237,473	228,274	218,782	210,634	202,896
Net assets	1,773,331	1,808,364	1,849,278	1,894,789	1,947,645	2,000,730	2,059,413	2,121,351	2,189,077	2,262,272	2,340,116
EQUITY											
Accumulated surplus	1,502,538	1,537,571	1,578,485	1,623,996	1,676,852	1,729,937	1,788,620	1,850,558	1,918,284	1,991,479	2,069,323
Revaluation reserves	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793
Total equity	1,773,331	1,808,364	1,849,278	1,894,789	1,947,645	2,000,730	2,059,413	2,121,351	2,189,077	2,262,272	2,340,116

Attachment B:

Statement of Cashflows

Statement of Cashflows	Current	Projection									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Cashflows from operating activities	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Receipts:											
Rates and annual charges	198,782	208,184	212,772	217,661	223,108	228,234	233,484	238,854	244,831	250,456	256,217
User charges and fees	91,237	101,738	111,966	118,123	122,019	126,055	130,223	134,530	138,979	143,575	148,322
Investment and interest revenue received	6,282	5,370	6,716	8,929	10,962	13,111	15,242	17,335	19,542	21,447	23,547
Grants and contributions	30,054	50,451	52,560	53,834	55,073	56,339	57,635	58,961	60,317	61,704	63,123
Bonds, deposits and retention amounts received	-	35	33	35	36	37	38	39	40	41	42
Other	14,345	14,188	15,243	16,590	16,989	17,379	17,779	18,188	18,606	19,034	19,472
Payments:											
Employee benefits and on-costs	(116,260)	(124,271)	(127,275)	(131,158)	(135,071)	(139,051)	(142,520)	(146,075)	(149,720)	(153,455)	(157,283)
Materials and contracts	(108,383)	(125,075)	(110,123)	(114,835)	(110,178)	(116,352)	(118,702)	(122,804)	(124,211)	(127,080)	(130,016)
Borrowing costs	(3,556)	(3,773)	(3,913)	(3,591)	(3,261)	(2,929)	(2,584)	(2,256)	(1,916)	(1,601)	(1,330)
Other	(43,774)	(44,875)	(50,071)	(51,250)	(50,430)	(51,589)	(52,775)	(53,991)	(55,231)	(56,502)	(57,800)
Net cash provided (or used in) operating activities	68,727	81,972	107,908	114,338	129,247	131,234	137,820	142,781	151,237	157,619	164,294
Cashflows from investing activities											
Receipts:											
Sale of investment securities	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835
Non-current assets classified as 'held for sale'	9,500	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investment securities	(135,861)	(123,793)	(158,834)	(163,796)	(177,599)	(177,110)	(182,794)	(186,240)	(190,010)	(196,439)	(201,714)
Purchase of investment property	-	(700)	(734)	(771)	(810)	(850)	(893)	(937)	(984)	(1,033)	(1,085)
Purchase of infrastructure, property, plant and equipment	(71,812)	(94,741)	(65,281)	(66,649)	(68,153)	(69,710)	(71,308)	(73,000)	(77,475)	(78,740)	(80,383)
Net cash provided (or used in) investing activities	(70,338)	(91,399)	(97,014)	(103,381)	(118,727)	(119,835)	(127,160)	(132,342)	(140,634)	(148,377)	(155,347)
Cashflows from financing activities											
Receipts:											
Proceeds from borrowings and advances	8,750	22,600	-	-	-	-	-	-	-	-	-
Payments:											
Repayment of borrowings and advances	(4,742)	(6,905)	(5,728)	(5,910)	(6,000)	(6,198)	(6,193)	(5,740)	(5,938)	(4,482)	(3,964)
Repayment of lease liabilities	(3,874)	(4,944)	(4,050)	(4,103)	(4,047)	(4,138)	(3,828)	(3,844)	(3,946)	(4,052)	(4,163)
Net cashflow provided (used in) financing activities	134	10,751	(9,778)	(10,013)	(10,047)	(10,336)	(10,021)	(9,584)	(9,884)	(8,534)	(8,127)
Net increase/(decrease) in cash and cash equivalents	(1,477)	1,324	1,116	944	473	1,063	639	855	719	708	820
Plus: cash and cash equivalents – beginning of year	28,954	27,477	28,801	29,917	30,861	31,334	32,397	33,036	33,892	34,611	35,319
Cash and cash equivalents – end of the year	27,477	28,801	29,917	30,861	31,334	32,397	33,036	33,891	34,611	35,319	36,139
plus: Investments on hand – end of year	345,374	341,332	372,331	408,292	458,057	507,333	562,292	620,696	682,871	751,476	825,356
Total cash, cash equivalents and investments	372,851	370,133	402,248	439,153	489,391	539,730	595,328	654,587	717,482	786,795	861,495

Ratios

Ratio	Benchmark Per OLG	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating performance ratio	> 0.00%	1.67%	1.56%	3.37%	4.27%	5.84%	5.55%	6.55%	6.95%	8.03%	8.69%	9.26%
Own source operating revenue ratio	> 60.00%	91.28%	86.75%	86.86%	87.05%	87.16%	87.25%	87.34%	87.42%	87.51%	87.59%	87.66%
Unrestricted current ratio	> 1.5x	2.07x	2.41x	2.35x	2.51x	2.46x	2.45x	2.43x	2.40x	2.41x	2.39x	2.48x
Debt service cover ratio	> 2x	5.55x	4.65x	6.10x	6.53x	7.28x	7.38x	8.20x	9.05x	9.69x	11.79x	13.22x
Rates, annual charges, interest and extra charges outstanding percentage	< 10% regional & rural	4.14%	4.07%	4.24%	4.07%	4.07%	4.07%	4.07%	4.07%	4.06%	4.06%	4.06%
Cash expense cover ratio	> 3 mths	785 mths	716 mths	741 mths	722 mths	728 mths	706 mths	695 mths	6.81 mths	6.71 mths	6.62 mths	6.51 mths

Financial Statements – Scenario 3 – Optimistic Works Program

2022/23: \$133M Works Program

2023/24 and ongoing: \$115M Works Program adjusted annually for CPI

Income Statement

Income Statement	Current	Projection									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from Continuing Operations											
Rates and annual charges	198,945	208,307	212,890	217,786	223,231	228,365	233,617	238,991	244,965	250,599	256,363
User charges and fees	94,322	102,132	112,337	118,518	122,424	126,469	130,647	134,963	139,423	144,028	148,786
Interest and investment revenue	5,843	5,391	6,736	8,260	9,421	10,575	11,554	12,433	13,333	13,980	14,759
Other revenues	11,432	10,356	10,597	10,995	11,265	11,524	11,789	12,060	12,337	12,621	12,911
Grants and contributions provided for operating purposes	16,317	16,687	18,054	18,534	18,961	19,397	19,843	20,299	20,766	21,244	21,732
Grants and contributions provided for capital purposes	13,745	33,762	34,504	35,298	36,110	36,940	37,790	38,659	39,548	40,458	41,388
Other income	4,072	4,007	4,800	5,761	5,891	6,027	6,166	6,308	6,454	6,602	6,755
Total Income from Continuing Operations	344,676	380,642	399,918	415,152	427,303	439,297	451,406	463,713	476,826	489,532	502,694
Expenses from Continuing Operations											
Employee benefits and on-costs	117,162	125,271	129,570	133,515	137,491	141,449	144,976	148,590	152,295	156,092	159,983
Borrowing costs	3,556	3,773	3,913	3,591	3,261	2,929	2,584	2,256	1,916	1,601	1,330
Materials and services	102,646	104,359	112,453	117,449	118,738	126,273	128,841	133,166	134,801	137,904	141,078
Depreciation and amortisation	58,428	63,407	67,563	69,643	71,762	74,080	75,962	77,568	79,893	81,847	84,233
Other expenses	43,601	44,650	49,941	51,109	50,284	51,442	52,624	53,834	55,073	56,339	57,635
Net losses from the disposal of assets	4,328	4,149	7,981	8,165	8,353	8,545	8,741	8,942	9,830	9,358	9,574
Total Expenses from Continuing Operations	329,721	345,609	371,421	383,472	389,889	404,718	413,728	424,356	433,808	443,141	453,833
Operating result from continuing operations	14,955	35,033	28,497	31,680	37,414	34,579	37,678	39,357	43,018	46,391	48,861
Net operating result for the year before grants and contributions provided for capital purposes	1,210	1,271	(6,007)	(3,618)	1,304	(2,361)	(112)	698	3,470	5,933	7,473

Statement of Financial Position

Statement of Financial Position	Projection											
	Current	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	
ASSETS	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Current assets												
Cash and cash equivalents	27,477	28,801	30,952	31,956	32,491	33,726	34,477	35,363	36,151	36,928	37,819	
Investments	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	122,300	
Receivables	29,496	30,203	30,868	31,578	32,304	33,047	33,807	34,585	35,380	36,194	37,027	
Inventories	1,152	1,196	1,222	1,250	1,279	1,309	1,339	1,369	1,401	1,433	1,466	
Other	8,655	8,989	9,186	9,398	9,614	9,835	10,062	10,293	10,530	10,772	11,019	
Total current assets	189,080	191,489	194,528	196,482	197,988	200,217	201,985	203,910	205,762	207,627	209,631	
Non-current assets												
Investments	223,074	219,033	219,563	224,663	241,999	255,719	273,276	292,373	313,105	338,198	366,415	
Receivables	1,657	1,697	1,734	1,774	1,815	1,856	1,899	1,943	1,988	2,033	2,080	
Infrastructure, property, plant and equipment	1,588,433	1,620,183	1,633,871	1,647,063	1,659,756	1,671,946	1,683,751	1,695,852	1,709,711	1,723,863	1,737,579	
Right of use asset	32,822	32,936	47,640	43,049	38,609	34,184	30,138	26,169	22,200	18,231	14,262	
Investments accounted for using the equity method	731	759	776	794	812	831	850	869	889	910	931	
Investment property	13,990	14,690	15,424	16,195	17,005	17,855	18,748	19,685	20,670	21,703	22,788	
Intangible assets	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	
Other	88	90	92	94	96	98	100	103	105	108	110	
Total non-current assets	1,865,730	1,894,323	1,924,035	1,938,567	1,965,027	1,987,424	2,013,697	2,041,929	2,073,603	2,109,981	2,149,100	
TOTAL ASSETS	2,054,810	2,085,812	2,118,563	2,135,049	2,163,015	2,187,641	2,215,682	2,245,839	2,279,365	2,317,608	2,358,731	
LIABILITIES												
Current liabilities												
Payables	41,571	43,080	44,045	45,074	46,132	47,198	48,289	49,404	50,552	51,720	52,915	
Contract liabilities	10,367	10,616	10,849	11,099	11,354	11,615	11,883	12,156	12,435	12,721	13,014	
Lease liabilities	3,017	3,114	4,103	4,047	4,138	3,828	3,844	3,946	4,052	4,163	2,704	
Borrowings	6,905	5,727	5,910	6,000	6,198	6,193	5,740	5,938	4,482	3,964	1,482	
Employee benefit provisions	36,873	37,795	38,929	40,096	41,299	42,332	43,390	44,475	45,587	46,726	47,895	
Provisions	19,909	7,383	7,384	1,565	1,568	1,571	1,574	1,577	1,581	1,584	1,586	
Total current liabilities	118,642	107,715	111,220	107,881	110,689	112,737	114,720	117,496	118,689	120,878	119,596	
Non-current liabilities												
Payables	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	2,921	
Contract liabilities	766	784	802	821	839	859	878	899	919	940	962	
Lease liabilities	32,851	32,490	46,788	42,741	38,604	34,775	30,931	26,985	22,933	18,770	16,066	
Borrowings	58,476	75,349	69,438	63,438	57,240	51,048	45,308	39,370	34,888	30,924	29,442	
Employee benefit provisions	999	1,024	1,054	1,086	1,119	1,147	1,175	1,205	1,235	1,266	1,297	
Provisions	66,824	57,165	49,480	47,621	45,650	43,622	41,540	39,397	37,196	34,935	32,612	
Total non-current liabilities	162,837	169,733	170,483	158,628	146,373	134,372	122,753	110,777	100,092	89,756	83,300	
TOTAL LIABILITIES	281,479	277,448	281,703	266,509	257,062	247,109	237,473	228,273	218,781	210,634	202,896	
Net assets	1,773,331	1,808,364	1,836,860	1,868,540	1,905,953	1,940,532	1,978,209	2,017,566	2,060,584	2,106,974	2,155,835	
EQUITY												
Accumulated surplus	1,502,538	1,537,571	1,566,067	1,597,747	1,635,160	1,669,739	1,707,416	1,746,773	1,789,791	1,836,181	1,885,042	
Revaluation reserves	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	270,793	
Total equity	1,773,331	1,808,364	1,836,860	1,868,540	1,905,953	1,940,532	1,978,209	2,017,566	2,060,584	2,106,974	2,155,835	

Statement of Cashflows

Statement of Cashflows	Current	Projection										
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Cashflows from operating activities	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Receipts:												
Rates and annual charges	198,782	208,184	212,772	217,661	223,108	228,234	233,484	238,854	244,831	250,456	256,217	
User charges and fees	91,237	101,738	111,966	118,123	122,019	126,055	130,223	134,530	138,979	143,575	148,322	
Investment and interest revenue received	6,282	5,370	6,716	8,238	9,399	10,552	11,531	12,410	13,309	13,955	14,733	
Grants and contributions	30,054	50,451	52,560	53,834	55,073	56,339	57,635	58,961	60,317	61,704	63,123	
Bonds, deposits and retention amounts received	-	35	33	35	36	37	38	39	40	41	42	
Other	14,345	14,188	15,243	16,590	16,989	17,379	17,779	18,188	18,606	19,034	19,472	
Payments:												
Employee benefits and on-costs	(116,260)	(124,271)	(128,340)	(132,247)	(136,186)	(140,329)	(143,827)	(147,413)	(151,088)	(154,855)	(158,715)	
Materials and contracts	(108,383)	(125,075)	(119,176)	(124,096)	(119,652)	(127,219)	(129,819)	(134,177)	(135,845)	(138,982)	(142,191)	
Borrowing costs	(3,556)	(3,773)	(3,913)	(3,591)	(3,261)	(2,929)	(2,584)	(2,256)	(1,916)	(1,601)	(1,330)	
Other	(43,774)	(44,875)	(50,073)	(51,250)	(50,430)	(51,589)	(52,776)	(53,989)	(55,231)	(56,501)	(57,801)	
Net cash provided (or used in) operating activities	68,727	81,972	97,788	103,297	117,095	116,530	121,684	125,147	132,002	136,826	141,872	
Cashflows from investing activities												
Receipts:												
Sale of investment securities	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	127,835	
Non-current assets classified as 'held for sale'	9,500	-	-	-	-	-	-	-	-	-	-	
Payments:												
Purchase of investment securities	(135,861)	(123,793)	(128,365)	(132,934)	(145,171)	(141,555)	(145,391)	(146,932)	(148,566)	(152,927)	(156,052)	
Purchase of investment property	-	(700)	(734)	(771)	(810)	(850)	(893)	(937)	(984)	(1,033)	(1,085)	
Purchase of infrastructure, property, plant and equipment	(71,812)	(94,741)	(84,597)	(86,410)	(88,367)	(90,389)	(92,463)	(94,643)	(99,615)	(101,389)	(103,553)	
Net cash provided (or used in) investing activities	(70,338)	(91,399)	(85,861)	(92,280)	(106,513)	(104,959)	(110,912)	(114,677)	(121,330)	(127,514)	(132,855)	
Cashflows from financing activities												
Receipts:												
Proceeds from borrowings and advances	8,750	22,600	-	-	-	-	-	-	-	-	-	
Payments:												
Repayment of borrowings and advances	(4,742)	(6,905)	(5,726)	(5,910)	(6,000)	(6,197)	(6,193)	(5,740)	(5,938)	(4,482)	(3,963)	
Repayment of lease liabilities	(3,874)	(4,944)	(4,050)	(4,103)	(4,047)	(4,138)	(3,828)	(3,844)	(3,946)	(4,052)	(4,163)	
Net cashflow provided (used in) financing activities	134	10,751	(9,776)	(10,013)	(10,047)	(10,335)	(10,021)	(9,584)	(9,884)	(8,534)	(8,126)	
Net increase/(decrease) in cash and cash equivalents	(1,477)	1,324	2,151	1,004	535	1,236	751	886	788	778	891	
Plus: cash and cash equivalents – beginning of year	28,954	27,477	28,801	30,952	31,956	32,491	33,726	34,477	35,363	36,151	36,928	
Cash and cash equivalents – end of the year	27,477	28,801	30,952	31,956	32,491	33,727	34,477	35,363	36,151	36,929	37,819	
plus: Investments on hand – end of year	345,374	341,332	341,863	346,963	364,299	378,019	395,576	414,673	435,404	460,497	488,715	
Total cash, cash equivalents and investments	372,851	370,133	372,815	378,919	396,790	411,746	430,053	450,036	471,555	497,426	526,534	

Ratios

Ratio	Benchmark Per OLG	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Operating performance ratio	> 0.00%	1.67%	1.56%	0.54%	1.20%	2.47%	1.54%	2.09%	2.27%	3.04%	3.40%	3.70%
Own source operating revenue ratio	> 60.00%	91.28%	86.75%	86.86%	87.03%	87.11%	87.18%	87.23%	87.29%	87.35%	87.40%	87.44%
Unrestricted current ratio	> 1.5x	2.07x	2.41x	2.37x	2.52x	2.48x	2.47x	2.45x	2.42x	2.43x	2.41x	2.50x
Debt service cover ratio	> 2x	5.55x	4.65x	5.37x	5.72x	6.36x	6.27x	6.92x	7.56x	8.06x	9.74x	10.85x
Rates, annual charges, interest and extra charges outstanding percentage	< 10% regional & rural	4.14%	4.07%	4.24%	4.07%	4.07%	4.07%	4.07%	4.07%	4.06%	4.06%	4.06%
Cash expense cover ratio	> 3 mths	785 mths	716 mths	721 mths	703 mths	708 mths	685 mths	675 mths	661 mths	652 mths	643 mths	632 mths

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